CITY OF YORK COUNCIL

Audit & Governance 29 September 2010

Report of the Director of Customer & Business Support Services

Scrutiny of Treasury Management Monitor 1 and Prudential Indicators 2010/11

Summary

1. The purpose of this report is for members of A&G to scrutinise "Treasury Management Monitor 1 and Prudential Indicators 10/11" in accordance with the requirements of the revised Chartered Institute of Public Finance and Accountancy (CIPFA) Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance ("the Code").

2. The revised Code was published in November 2009 and adopted by the council on 26 February 2010. From 2010/11, Audit & Governance Committee will be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

3. Attached at Appendix A is the Treasury Management Monitor 1 and Prudential Indicators 10/11 report.

Background

4. A training session has been organised for 29 September 2010 at the request of Members to assist them in the understanding of Treasury Management in a Local Authority and to equip them with the necessary skills to scrutinise Treasury Management on an ongoing basis.

5. The "Treasury Management Monitor 1 and Prudential Indicators 10/11" report provides Members with a review of the first four months of 2010/11. It gives the economic background and an analysis of the interest rate environment in which treasury management operates, followed by the position of short term investments and long term borrowing. It provides information on the venture fund – the Council's earmarked reserve which generally provides short term funding for revenue and capital schemes of an invest to save nature – and also monitors the position of the treasury management budget. Finally the prudential indicators attached at annex A to the report at Appendix A, show that the Council continues to manage its capital investments and treasury management activities on an affordable, sustainable and prudent basis.

6. Short term investments returned 1.24% on an average investment portfolio of £42.9m compared to the average 7 day London Inter-Bank Deposit rate (LIBID) of 0.42% and 0.74% higher than the average base rate for the period of 0.50%. The long term borrowing portfolio stands at £133.1m with all borrowing taken in 2010/11 being well below the target

of 4.5%. The borrowing portfolio increase is due to the increasing funding requirements of the capital programme.

7. The information provided in paragraphs 5 and 6 above are a brief summary of the "Treasury Management Monitor 1 and Prudential Indicators 10/11" report for scrutiny by Audit & Governance Committee Members.

Consultation

8. Not applicable.

Options

9. It is a statutory requirement under Local Government Act 2003 for the council to operate in accordance with the CIPFA prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice "the Code". The revised "code" was approved at full Council on 26 February 2010. The Council also approved the Treasury Management Strategy Statement and Prudential Indicators for 2010/11 to 2014/15 which stated that "The Treasury Management Reporting arrangements set out in paragraph 16, table 1, as described by "the Code" and the terms of reference in the Constitution be amended to include that Audit & Governance Committee scrutinise the Treasury Management Strategy and Monitoring reports." No alternative options are available.

Corporate Priorities

10. Treasury management is an integral part of the council's finances providing for cash flow management and financing of capital schemes. It aims to ensure that the council maximises its return on investments, (whilst the priority is for security of capital and liquidity of funds) and minimises the cost of its debts. This allows more resources to be freed up to invest in the Council's priorities, values and imperatives, as set out in the Corporate Strategy. It therefore underpins all of the council's aims.

Implications

11. The implications are
- Financial – the security of the Councils capital funds is a priority, maximising returns on investments is still key along with minimising the finance costs of debt.
- Human Resources - there are no human resource implications to this report.
- Equalities - there are no equality implications to this report.
- Legal - there are no legal implications to this report.
- Crime and Disorder - there are no crime and disorder implications to this report.
- Information Technology - there are no information technology implications to this report.
- Property –there are no property implications to this report.
- Other - the revised code may have implications for the requirements placed on officers and members for the scrutiny and management of the treasury function.

Risk Management

12. The treasury management function is a high-risk area because of the volume and level of large money transactions. As a result of this the Local Government Act 2003 (as amended), the CIPFA Prudential Code and the CIPFA Treasury Management in the Public Services Code of Practice 2009 (the code) are all adhered to as required.

Recommendations

13. That Audit & Governance Committee note the Treasury Management Monitor 1 and Prudential Indicators 10/11 at Appendix A.

    Reason: That those responsible for scrutiny and governance arrangements are updated on a regular basis to ensure that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting.

Contact Details

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	Report approved	√	Date

Specialist Implications Officer(s) None

Wards Affected: *List wards or tick box to indicate all* **All** √

For further information please contact the author of this report

Background Working Papers

Local Government Act 2003 and amendments
CIPFA Prudential Code
CIPFA Treasury Management in the Public Services: Code of Practice and Cross-Sectoral Guidance (“the Code”)
Treasury Management Strategy Statement and Prudential Indicators for 2010/11 to 2014/15